

APPENDIX

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UNITED STATES DISTRICT COURT
FOR THE SOUTHERN DISTRICT OF NEW YORK

THE STATE OF TEXAS, et al.

vs.

HACHETTE BOOK GROUP, INC., et al.

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) Case No. _____
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DECLARATION OF KIM SCHMIDT

KIM SCHMIDT deposes and says:

1. I am a Senior Vice President for Rust Consulting, Inc. ("Rust Consulting"), which has been retained by the Plaintiff States Attorneys General in this Settlement to serve as the Claims Administrator. I am responsible for supervising the claims administration services provided by Rust Consulting for the parties in this action. My business address is 201 S. Lyndale Avenue, Faribault, MN 55021. My telephone number is (612) 359-2872. I am authorized and qualified to make this declaration on behalf of Rust Consulting and myself.
2. I submit this declaration in connection with the above-captioned civil action at the request of Liaison Counsel for Plaintiff States.
3. Rust Consulting, Inc. is a national leader in the class action settlement administration industry. Rust is a wholly-owned subsidiary of SourceHOV Holdings, Inc. and administers settlements and projects within the legal, public, and business sectors. Rust Consulting has provided claims administration services for class actions in cases involving antitrust, consumer, finance, insurance and healthcare, labor and employment, property, securities, and telecom related settlements, as well as mass tort matters.

4. Rust Consulting specializes in class action notification and claims administration, including direct mail notification, published media campaigns, telephone support services, claim processing, and monetary distribution. In its 35-year history, Rust has provided services for more than 3,500 projects and distributed billions of dollars in settlement assets.
5. Our experience includes the administration of large and complex cases such as *Authors' Guild v. Google, Inc.*, No. 1:05-CV-08136 (S.D.N.Y.); *In re Dynamic Random Access Memory (DRAM) Antitrust Litigation*, No. M-02-1486 & MDL 1486 (N.D. Cal.); *Microsoft I-V Cases* No. J.C.C.P. 4106 (Cal. Super. Ct. S.F. County); *Naef v. Masonite Corp.*, No. CV 94-4033 (Ala. Cir. Ct. Mobile County); *SEC v. Federal National Mortgage Association*, No. 1:06-CV-00959 (D.D.C.); *Sullivan v. DB Investments, Inc.*, No. 04-2819 (D.N.J.); and *In re Motorola Securities Litigation*, No. 03-C-00287 (N.D. Ill.). Attached as Exhibit A is additional information on Rust Consulting.

Consulting Services

6. Rust Consulting was engaged to consult and coordinate on the administration process for the Settlement. We will provide notice and claims administration services in order to facilitate the provision of notice and to distribute and/or administer the distribution of settlement funds paid to the Plaintiff States Attorneys General in connection with Settlement. This work will include consulting and coordination with the e-book retailers for electronic notification and the distribution of credit payments, noticing, designing and programming systems, toll-free IVR telephone support, website administration, exclusion and objection tracking, claimant correspondence, claims processing, validation, and quality control, payment calculation and distribution, reporting, and computer operations.

E-book Retailer Coordination

7. Rust Consulting will work cooperatively with the Attorneys General to coordinate with leading e-book retailers to implement the Settlements. The e-book retailers maintain the customer records and to the extent these are available, notice will be provided directly to customers via email.
8. The Long Form Notice Packet will be made available on the settlement website and will be available to mail to individuals upon request.
9. Rust Consulting will mail Claim Forms upon request to potentially eligible consumers. Consumers will also have the ability to submit their Claim Form electronically through the settlement website.

Telephone Support

10. As part of the notification process, Rust Consulting will obtain a toll-free telephone number for callers to obtain information from an automated, interactive voice recording system. The line will allow callers the ability to listen to commonly asked questions and answers related to the settlements, request a Claim Form or speak to a Customer Service Representative.
 - A. The toll-free settlement information line will be staffed by live customer service representatives during normal business hours.
 - B. The line will become operational commencing with the start of the electronic email notification period.

11. The toll-free number will be included in any press releases that are distributed, the Long Form Notice, the Claim Form and the settlement website.

Settlement Website

12. Rust Consulting will create and maintain the settlement website. Settlement notifications will direct customers to the settlement website where potentially eligible consumers will be able to change their payment option from a credit to a check, file a Claim Form and provide supporting documentation online, and/or obtain general information regarding the settlement. The website will include Court settlement documents, Long Form Notice, answers to commonly asked questions, toll-free number and email address for additional questions, and other settlement related documents and important dates.

Requests for Exclusions and Claimant Correspondence

13. Rust Consulting will receive and process all requests for exclusions to the Settlements. Exclusion requests received by Rust will be date stamped, processed, and distributed to the Liaison Counsel for Plaintiff States for review.
14. Rust Consulting will receive, process, and respond where necessary, to all paper and email correspondence received from potentially eligible consumers. This will include requests for a Claim Form, notification for changes in names and addresses, and any other general correspondence regarding the settlements.

Claim Forms

15. Rust Consulting will be responsible for receiving and processing Claim Forms filed electronically or in paper form by potentially eligible consumers.
16. Claimants with an incomplete or deficient Claim Form will be mailed a letter describing the deficiency and if appropriate, requesting additional information. Rust will process


deficiency letter responses from potentially eligible consumers. Claims resolved by a deficiency response will be included in the distribution. Claims not resolved in the deficiency process will not be included in the distribution.

Distribution of Settlement Awards

17. At the close of the notice and claim period, Rust Consulting will coordinate the *pro rata* allocation of the Consumer Fund to eligible consumers.
18. Rust will work cooperatively with the Escrow Agent to provide information for tax filing and tax reporting.

I declare that the foregoing is true and correct to the best of my knowledge.

Executed this 27 day of August, 2012 in Faribault, Minnesota.



Kim Schmidt, Senior Vice President



EXHIBIT A

Rust Consulting, Inc.

Rust Consulting, Inc. is a national leader in the class action settlement administration industry. Rust is a wholly-owned subsidiary of SourceHOV, LLC, and administers settlements and projects within the legal, public, and business sectors. In its 35-year history, Rust has provided services for more than 3,500 projects and distributed billions of dollars in settlement assets.

Rust's legal sector experience includes class actions involving antitrust, consumer, finance, insurance and healthcare, labor and employment, property, securities, and telecom related settlements, as well as mass tort matters. Rust's business sector experience includes data breaches and recalls, while our public sector practice includes enforcement actions, remission petition programs, consumer redress programs, and recovery and audit services for agencies at the federal, state, and local levels.

Our experience includes the administration of large and complex cases such as *Authors' Guild v. Google, Inc.*, No. 1:05-CV-08136 (S.D.N.Y.); *In re Dynamic Random Access Memory (DRAM) Antitrust Litigation*, No. M-02-1486 & MDL 1486 (N.D. Cal.); *Microsoft I-V Cases* No. J.C.C.P. 4106 (Cal. Super. Ct. S.F. County); *Naef v. Masonite Corp.*, No. CV 94-4033 (Ala. Cir. Ct. Mobile County); *SEC v. Federal National Mortgage Association*, No. 1:06-CV-00959 (D.D.C.); *Sullivan v. DB Investments, Inc.*, No. 04-2819 (D.N.J.); and *In re Motorola Securities Litigation*, No. 03-C-00287 (N.D. Ill.).

SERVICES

Pre-Settlement Consultation

Our experts can help determine potential claim rates, settlement structures, and the most cost-effective methods of notice and distribution.

Class Data Management

We ensure efficient notification and high-quality administration.

- Class member identification and location
- Database design and management
- Manipulation of diverse types of files, formats, and layouts (normalization)
- Consolidation of multiple records into one master list
- Removal of duplicate records
- Custom data processing
- Mailing list formatting and address location services

Notification

Rust offers many types of notice and claim forms.

- Media-based notice (online, newspaper, radio, television)
- Direct mail notice
- Email notice
- Forms design and printing
- Media campaign design and implementation
- Customized notice and claim forms (account, policy, or purchase information)

Our in-house specialists ensure that notices are clear, understandable, and catch potential claimants' attention.

Contact Center

Rust's contact center can seat approximately 800 representatives, is managed by permanent, on-site staff, offers live customer service, Interactive Voice Response ("IVR"), and systems combining the two.

Callers receive high quality service from our experienced customer service representatives ("CSRs"), who work from plain language phone scripts.

- Five projects with 1 million or more calls
- More than 100 languages supported
- All calls recorded

Claims Processing

Our service-based information architecture is geared toward high-volume, high-speed data and transaction services through in-house execution. Our secure, technology systems and processes result in accurate and efficient claims processing and adjudication.

Distribution and Tax Reporting

We ensure cost-efficient distribution and manage distribution processes involving any benefit type, including checks, coupons, vouchers, and products. Rust is especially adept at handling ongoing, multiyear distribution projects or *cypres* programs.

- More than \$3.5 billion in settlement benefits distributed
- 1099 and W-2 tax reporting
- Qualified Settlement Fund tax reporting

DATA AND SYSTEM SECURITY

Rust maintains a unified compliance posture to ensure the integrity and security of project data. We have accreditation under the Federal Information Security Management Act (FISMA), comply with and adhere to Safe Harbor Principles, and undergo an annual SSAE 16 (formerly SAS70) Type II audit of our data security and information technology controls.

LOCATIONS

Minneapolis

Rust Consulting, Inc.
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